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SOCIAL INSURANCE

BY JOHN B. ANDREWS,

Secretary, American Association for Labor Legislation.

Probably no human device has done more to substitute security for uncertainty in the economic affairs of our complex modern life than the device of insurance. Property is protected by insurance against fire, burglary, or loss at sea. Persons with comfortable incomes insure themselves or their dependents against the financial results of accident, ill health, or death. But wage-earners, who are largely without property and whose incomes are too small to provide for adequate insurance in a commercial company, have until recently been exposed without protection to the winds of adversity.

One of the strongest evidences of the profoundly altered attitude of society toward its members is the rapid spread of socially encouraged provision for the insurance of wage-earners against the five great hazards which continually stare them in the face: industrial accident, illness, unemployment, old age and invalidity, and death. There is hardly a civilized country whose laws do not establish protection against one or more of these risks. Because it covers the mass of the people, and because governmental action is necessary to its initiation and operation, this type of insurance has come to be generally known as "social insurance."

In the United States in the short space of seven years thirty-five of our states and territories, and the federal government for its own half-million employes, have enacted workmen's compensation legislation, which guarantees to the injured wage worker or his family financial indemnity for industrial accident without the wasteful and contentious methods of the old employers' liability system. Discussions on old age and on unemployment insurance have been frequent, and one state already has a state life insurance fund in operation; but undoubtedly the next big step in social legislation in America is health insurance.

SICKNESS IN THE UNITED STATES

Six years ago, when an expert committee of the Association for Labor Legislation, composed of statisticians, actuaries, physicians

and economists, sought in a memorial to the President of the United States to answer the question, "How much sickness is there in the country?" they found themselves baffled by lack of data. The best they could do was to turn to Germany, where, under a national health insurance system, excellent records had been accumulating for more than twenty years. Upon the basis, then, of German experience, our American experts made the following estimate:

Estimate of Sickness and Its Cost among Occupied Males and Females in United States, 1910 (\$3,500,000)

Estimated number of cases of sickness, on the German basis of 40 per cent of the number of persons exposed to risk	13,400,000
Estimated number of days of sickness on the German basis of 8.5 days per person per annum	284,750,000
Estimated loss in wages at an average of \$1.50 a day for 6/7 of the 284,750,000 days	\$366,107,145
Estimated medical cost of sickness at \$1 a day for 284,750,000 days	\$284,750,000
Estimated economic loss at 50 cents a day for 6/7 of the 284,750,000 days	\$122,035,715
Total social and economic cost of sickness per annum	\$772,892,860
Estimated possible economic saving in the health of individual workers on a basis of 25 per cent reduction per annum	\$193,223,215

Despite the discussion these figures produced when they were made public, they are now seen to have been very conservative. On the basis of its study for the federal Commission on Industrial Relations, of nearly 1,000,000 workers in representative occupations, the United States public health service estimates that each of this nation's 30,000,000 wage-earners loses an average of nine days annually because of sickness. This amounts, for the nation, to an annual loss of nearly 740,000 years. Everyone who has ever examined the records of our charitable societies will roundly endorse the commission's statement that "Much attention is now given to accident prevention, yet accidents cause only one-seventh as much destitution as does illness." No fewer than 3,000,000 persons, it was stated, are ill on any one day. The consequent wage loss is put at \$500,000,000 a year, while the expense of medical treatment and supplies runs up to \$180,000,000 in addition.

Among women the rate of sickness is higher than among men. In Rochester, N. Y., for instance, a careful survey of its industrial policyholders by the Metropolitan Life Insurance Company showed

that of each 1,000 males, aged fifteen or more, 23.3 are so ill at any one time that they are unable to work, while females of the same age similarly affected number 25.7 out of every 1,000. This means an average annual disability rate of 8.5 days for men and 9.4 days for women.

In America, as abroad, infant mortality among wage workers is excessively high. In Johnstown, Pa., the United States Children's Bureau found the infant mortality rate five times as high in the ward where the poorest paid workers lived as in the wealthiest section. In families where the father received \$1,200 or more a year, or had "ample" income, the infant death rate was 84 per 1,000, but when the father received less than \$10 a week or \$521 a year this death rate leaped to 255.7 per 1,000. A similar study carried on in Montclair, N. J., revealed precisely the same tendency of a soaring infant death rate with a sinking of the family income.

A striking phenomenon noted as yet only in this country is the rapid decline in the expectation of life for adults. Comparison of Massachusetts statistics for 1880 with those for 1910 shows that within the present generation the expectation of life for men aged twenty-five or over has fallen six months to two and one-quarter years according to age, and that for women aged thirty-five or over it has dropped nine months to two years. This fact should be remembered in connection with the current statement that the span of life in America is increasing. It is true that babies and children have a better chance of reaching maturity than formerly; but once arrived at maturity their chances for attaining a ripe old age are unmistakably declining.

MEETING THE WAGE LOSS

Estimates of average annual wages in the United States, whether made by radicals or by conservatives, hover about the \$700 mark. At the same time the minimum necessary expense of maintaining a family is generally accepted as being between \$900 and \$1,200. Obviously there is little margin here for tiding a family over the breadwinner's disability due to illness.

A federal study of 31,481 charity cases among both immigrants and native born in forty-three cities showed that illness of the breadwinner or of other members of the family was "the apparent cause of need" in 38.3 per cent of the cases. Thirty-seven per cent of the

families assisted by the New York City charity organization society are dependent because their wage-earners are disabled by sickness, while two-thirds to four-fifths of the expenditure of the New York association for improving the condition of the poor is for relief necessary because of illness. Individual savings, commercial health insurance, trade union benefit funds, and "establishment" relief associations inspired and controlled by employers have alike signally failed to avert the financial distress caused by working class sickness. America presents no exception to the finding of Sidney and Beatrice Webb, that "In all countries, at all ages, it is sickness to which the greatest bulk of destitution is immediately due."

INSUFFICIENCY OF MEDICAL CARE

Not only are wage-earners unable without outside assistance to provide a living for their families during a period of severe illness, but they are often unable even to meet the expense of adequate medical care. An analysis was made last year of the financial condition of 75,000 applicants to the Boston, Mass., dispensary. Of all the families with which the dispensary was in touch, 37 per cent lived on an income, including the wages of children, of \$600 a year or less; 49 per cent on \$700 or less; 70 per cent on \$800 or less; and 83 per cent on \$1,000 or less. Nevertheless, states the dispensary,

It is a general opinion among students of wage-earners' budgets that even small families in this vicinity living on \$1,000 or less should not be expected to purchase more medical service than that necessary to childbirth and acute illness in the home.

In New York City forty-six hospitals which belong to one association cared during the year 1913-1914 for 69,474 patients (57 per cent of their total) who paid nothing for their treatment. The dispensaries attached to these hospitals were attended during the same year by 603,871 patients, who made a total of 1,843,011 visits. In Greater New York as a whole the annual number of dispensary treatments runs close to 5,000,000. Yet, states the hospital association referred to, "At present only one in ten persons seriously ill or injured in this city gets treated at any hospital. For lack of proper treatment thousands lose their health and efficiency, and become a burden to the community." In the Rochester sickness survey it was found that 39 per cent of the cases of sickness had no physician in attendance.

Within the last fifteen years the number of dispensaries in this country has increased sevenfold, visiting nurses' associations have been developed in most large cities, and more careful midwifery regulations have been adopted in several states. Yet the facilities available to wage workers for the prompt diagnosis and careful treatment of illness remain shockingly inadequate.

MOVEMENT FOR HEALTH INSURANCE

Brought face to face with similar facts, Germany adopted the first nation-wide health insurance system in 1883. Other countries followed, notably Great Britain in 1911, until today universal health insurance is established in no fewer than ten of the leading continental states. In America the movement initiated by the Association for Labor Legislation in 1912 has enlisted the encouragement of the American Medical Association, the American Academy of Medicine, state medical societies, the United States public health service, several influential employers' associations, the National Association of Manufacturers, and a large number of representative trade unions. State social insurance commissions in California and Massachusetts have been studying the question from all sides, and will report to their legislatures in January, 1917. Preparations are under way for the introduction of health insurance measures in the leading industrial states.

The standard bill drafted by the American Association for Labor Legislation combines the features pronounced best by practical experience of Europe. It covers all manual workers, and all other employes receiving \$100 a month or less. Insurance is made compulsory because only in this way can all those who need the assistance be reached by it. Even in Great Britain, for example, where voluntary health insurance through the "friendly societies" and the trade unions had reached an exceptional development, only 5,500,000 wage-earners were covered, whereas the compulsory national insurance act of 1911 at once applied to 13,742,000 workers, or more than twice as many. In addition to its inclusiveness, compulsory insurance reduces administrative cost to a minimum. All the expensive and tedious work of convincing a man that he needs to take out a "policy" is avoided. Persons in a given area are attached to the same fund, and this localization of membership still further increases the ease of supervision and reduces expense. Local

administration in the Leipzig sick fund costs less than 10 per cent of the total expenditure, whereas in England voluntary burial societies operating all over the kingdom spend from 37 to 48 per cent of their income for administration. A further benefit of localized membership under a compulsory system is the improved administration of medical care which it makes possible.

For the insured, the standard bill provides all necessary medical, surgical and nursing care up to twenty-six weeks a year. This is far above what is at present enjoyed by the wage-earner, who is too often compelled to accept treatment from charity or to forego it altogether. The family of the insured will also be provided with requisite medical aid, which will greatly reduce the expenditure for doctors' bills on an individualistic basis, and assure medical advice when it is needed. All necessary medicines and surgical supplies will also be furnished, up to \$50 a year. The physicians' interests are carefully guarded by provisions which it is not necessary to go into here.

A cash benefit of two-thirds of wages is established, during disability, up to twenty-six weeks yearly. This amount is not likely to cultivate malingering, and on the other hand it is not so small as to cause a breakdown of family standards. Massachusetts, New York and Ohio, as well as the United States government, it will be remembered, already award 66 $\frac{2}{3}$ per cent of wages in workmen's compensation cases, and percentages close to this are granted by several other states.

Important among the provisions of the bill is maternity benefit. The prohibition placed in some states upon the industrial employment of women just before or after childbirth emphasizes the desirability of granting a cash benefit during her inability to work, just as if this were caused by illness. Moreover, the annual death in the registration area of more than 10,000 mothers from causes connected with childbirth, and of 52,000 infants from diseases of early infancy—many of which are preventable—make it imperative to provide more adequate care. Maternity benefit is included in every European health insurance system.

A fourth benefit proposed is a funeral benefit of \$50. This type of relief is at present probably the most urgent need among wage workers. In 1911 thirty-two industrial insurance companies in the United States had about 24,700,000 policies in force, on which they

reaped \$183,500,000 in premiums. The losses paid out amounted to only a little over \$50,000,000, most of which was utilized for funeral expenses. Under the health insurance plan adequate burial could easily be provided for, while the money now expended by working people for mere burial insurance would go far toward paying their share of the contribution for all the benefits enumerated.

The moneys to provide the benefits just described are to be raised by joint contributions, two-fifths by the employer, two-fifths by the employe, and one-fifth by the state. It is felt that a certain responsibility for ill health rests upon all three of these parties, and that justice no less than the purpose of bringing this responsibility home to the minds of all concerned can best be served by joint maintenance of the insurance fund. For workers receiving below \$9 a week, upon whom even the two-fifths contribution would be an undue burden, the rate is progressively reduced, until at \$5 a week the employe pays nothing. The total amount raised through these contributions must always be sufficient to provide the minimum benefits described; but if a fund wishes to, it may under careful supervision charge higher amounts and pay proportionately increased benefits.

For the administration of the insurance a system of local funds has been devised, each under democratic control by committees and directors chosen half and half from employers and employes. A state social insurance commission will supervise the workings of the funds.

PREVENTIVE EFFECT OF HEALTH INSURANCE

So far health insurance has been discussed only in its relief and curative aspects. But it is an axiom in the business world that no sooner is an adequate system of insurance set up than it incites efforts for the reduction of the risk against which it offers protection. Fire underwriters not only insure against fire—they inspect buildings and raise the standards of safety against conflagration. Workmen's compensation not only secures indemnity to the injured workman or his orphaned children, but it provokes a movement for "Safety First!" Large industrial concerns such as the General Electric Company and the American Locomotive Company are now proudly preventing from 30 to 60 per cent of the accidents which before the coming of compensation they accepted as "inevitable." In the same way the proponents of health insurance confidently count

on the adoption of the standard bill to launch a mighty movement for "Health First."

As has been said, employers, employes and the state are today jointly responsible for sickness. Persistent monthly levies upon their several pocketbooks to meet the expenses of the prescribed benefits should rouse a campaign for industrial and social sanitation such as no army of factory and housing inspectors could ever hope to. Under its influence we may expect to see industrial poisons controlled, the work-day and speeding-up brought within physiological limits, habits of personal hygiene remodelled, and preventive medicine flourish, beyond the highest hopes of an older generation of progressive thinkers.

THE AMERICAN OUTLOOK

The California and the Massachusetts legislative commissions which are now studying health insurance are also instructed to go into other fields of social protection of wage-earners, such as insurance against unemployment and old age. A resolution for a similar commission under congressional auspices was the subject last April of intensely interesting hearings before the house committee on labor. Numerous state and national political platforms pronounce in favor of various sections of the program, and there seems to be little room for doubt that individualistic America is at last about to enter on a comprehensive campaign for the reduction of some of our worst industrial evils through the method of social insurance with its effective coöperative pressure.